

East P.A. to decide fate of utility tax

CITY COULD LOSE
\$1 MILLION A YEAR

By Thaa Walker

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On Tuesday, East Palo Alto voters will decide whether they want the city to continue collecting a utility users tax that has funneled nearly \$1 million annually into the city's budget for more than a decade.

The tax has typically amounted to a few extra dollars on top of each household's gas, electric, water and cable television bills. But mention the word "tax" in East Palo Alto and it brings to many residents' minds bitter memories of a 1995 parcel tax that was eventually declared unconstitutional after property owners fought it. The suit was settled and the city is now in the process of repaying \$4.5 million to the property owners.

The fiasco surrounding the parcel tax has made some voters skeptical of the utility tax measure on the ballot and has left supporters wondering

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whether it is going to run into trouble at the polls.

"The parcel tax left a bad taste in people's mouths," said city council candidate A. Peter Evans, who has come out against Measure H.

But city officials backing Measure H say the utility tax is

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not a new tax, people have been paying it for years, and it has nothing to do with the earlier doomed parcel tax.

Residents who are skeptical say they want proof the tax is necessary. City officials supporting the tax say that proof won't be difficult to come by if the measure fails. The consequences of a loss could include cutbacks in already slim services, they said.

"The problem is going to be when \$1 million comes out of our budget. People are going to really feel the impact," said outgoing city council member Sharifa Wilson.

Measure H asks East Palo

Alto voters to give the city permission to continue collecting the utility tax until 2006. It further asks voters to extend the tax to cellular telephones and similar communications technology not covered under current law.

The tax, approved by the city council in 1989, has helped pay for police and public safety, parks and recreation, street improvements, and youth and senior citizens services. A simple majority is needed to ratify the tax.

East Palo Alto is one of more than 100 California cities that have had a utility tax on the books. Like many cities, East Palo Alto decided this year to put the tax before voters for approval because of a recent state Supreme Court decision.

The higher court's ruling, which involved a challenge to the tax in La Habra, raised the question of whether such a tax was legal if it wasn't put before voters for approval.

East Palo Alto continued to collect the tax after that court ruling but decided to play it safe and place the revenue in escrow in case the tax was challenged. In January, resident Dennis Scherzer sued,

claiming that residents should be refunded because the tax was never approved by voters.

On Thursday, Scherzer said he and the city had reached a settlement in the case. The city refused to comment.

Also on the ballot are two slightly less controversial measures that ask voters to set aside part of an anticipated hotel tax — also known as a transient occupancy tax — for public services.

The hotel tax is expected to be generated by the Four Seasons Hotel, under construction and expected to open in 2004.

Four Seasons patrons would

pay a 12 percent surcharge on their hotel rooms. It is estimated that it would generate about \$2 million annually for the city.

Measure I asks voters to approve the allocation of 10 percent — or \$200,000 — of the anticipated hotel tax revenue to programs and services that exclusively benefit children, families and seniors. Measure J asks that voters set aside another 10 percent of the tax for affordable housing.

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